

OSKALOOSA COMMUNITY SCHOOL DISTRICT
OSKALOOSA, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2004

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OSKALOOSA COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2003 Election)		
David Meinert	President	2004
Don Patterson	Vice President	2005
Eileen Blom	Board Member	2003
Robin Pfalzgraf	Board Member	2003
Pat Sodak	Board Member	2004
Bruce Smith	Board Member	2004
David Dickinson	Board Member	2005
<u>Board of Education</u>		
(After September 2003 Election)		
David Meinert	President	2004
Don Patterson	Vice President	2005
Pat Sodak	Board Member	2004
Bruce Smith	Board Member	2004
David Dickinson	Board Member	2005
Anne Whitis	Board Member	2006
Brian Kieffer	Board Member	2006
<u>School Officials</u>		
Dr. M. Carolyn McGaughey	Superintendent	2007
Jake Roberts	District Secretary/Treasurer	2004
Randy S. DeGeest	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Oskaloosa Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Oskaloosa Community School District, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Oskaloosa Community School District as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated August 5, 2004 on our consideration of Oskaloosa Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 6 through 13 and 50 through 52 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Oskaloosa Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
August 5, 2004

This section of the Oskaloosa Community School District's annual financial report presents the discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2004. The analysis focuses on the District's financial performance as a whole. Please read it in conjunction with the District's financial statements, which immediately follow this section.

The Oskaloosa Community School District implemented new reporting standards for the 2002/2003 fiscal year that involved significant changes in content and structure of the reports. Because of this change last year, the current reports should be more easily compared to the prior year. In future years, comparisons will become more meaningful and will go further in explaining the District's financial position and results of operations.

FINANCIAL HIGHLIGHTS

The District completed work on an addition and renovations to the high school and continued construction of a new elementary school. The estimated cost of the projects are \$9,338,000 and \$15,943,000 respectively. To finance these projects the District issued capital loan notes in the amount of \$2,530,000 and Local Option Sales and Services Tax Revenue Bonds totaling \$5,760,000 in 2002/2003 and Local Option Sales Tax Bonds in the amount of \$13,720,000 in 2003/2004. Additional bond issues are being considered for subsequent years.

General Fund revenues increased from \$16,940,670 in fiscal 2003 to \$18,046,903 in fiscal 2004, while General Fund expenditures increased from \$16,807,383 in fiscal 2003 to \$17,275,028 in fiscal 2004. This resulted in an increase in the District's General Fund balance from \$919,589 in fiscal 2003 to \$1,700,997 in fiscal 2004, an increase of \$781,408.

The increase in revenues was attributable to an increase in property taxes, state funding and federal grants. The increase in expenditures was attributable to negotiated wage and benefit increases. The General Fund balance increased because some positions vacant due to retirements and resignations were not filled.

Interest income on investments for the General Fund for the last four fiscal years has been as follows: 2000-2001 - \$150,679, 2001-2002 - \$60,684, 2002-2003 - \$35,355, and 2003-2004 - \$35,145. This reduction has been solely due to a decrease in interest rates and not in the amount available for investment.

OVERVIEW OF FINANCIAL STATEMENTS

This report consists of three parts: Management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

The first two statements are District-wide financial statements that provide both short-term and long-term information about the District's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.

The governmental funds statements explain how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.

Proprietary funds statements offer short-term and long-term financial information about activities the District operates like businesses, such as food services.

Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

DISTRICT-WIDE STATEMENTS

Figure 1 summarizes the major features of the District's Financial Statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the Management's Discussion and Analysis highlights the structure and contents of each of the statements.

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's asset and liabilities – are one way to measure the District's financial health or position.

Overtime, increases and decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.

To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

Governmental Activities: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.

Business-type Activities: The District charges fees to help cover the costs of certain services it provides. The District's food service program would be included here.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants.

The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal agents.

The District has three kinds of funds:

Governmental Funds. Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and the Permanent Funds.

Proprietary Funds. Services for which the District charges a fee are generally reported in proprietary funds. These funds are reported in the same way as the District-wide statements.

The Nutrition Fund is the only proprietary fund that the District maintains.

Fiduciary Funds. The District is the trustee or fiduciary for the assets that belong to others such as scholarship funds.

The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

Figure 1 **MAJOR FEATURES OF THE DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS**

		Fund Statement	Fund Statement	Fund Statement
	District-wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except Fiduciary Funds)	The Activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: Food Service	Instances in which the District administers resources on behalf of someone else such as scholarship programs
Required Financial Statements	Statement of Net Assets Statement of Activities	Balance Sheet, Statement of Revenues, Expenditures & Changes in Fund Balance	Statement of Net Assets Statement of Revenues, Expenses and Changes in Net Assets Statement of Cash Flows	Statement of Fiduciary Net Assets Statement of Changes in Fiduciary Net Assets
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

This is the second year of implementation of the new reporting model for the District. For this reason, comparative condensed financial statements are presented. The following are comparative condensed statements of net assets and changes in net assets:

Condensed Statement of Net Assets (Expressed in Thousands)								
	Governmental Activities		Business type Activities		Total District		Total Change	
	June 30,		June 30,		June 30,		June 30,	
	2004	2003	2004	2003	2004	2003	2003-2004	
Current and other assets	\$ 19,808	\$ 17,027	\$ 37	\$ 36	\$ 19,845	\$ 17,063	16.3%	
Capital assets	27,697	15,589	40	45	27,737	15,634	77.4%	
Total assets	47,505	32,616	77	81	47,582	32,697	45.5%	
Long-term liabilities	21,891	8,583	-	-	21,891	8,583	155.1%	
Other liabilities	10,332	9,774	9	8	10,341	9,782	5.7%	
Total liabilities	32,223	18,357	9	8	32,232	18,365	75.5%	
Net assets:								
Invested in capital assets, net of related debt	13,365	11,965	40	45	13,405	12,010	11.6%	
Restricted	1,054	1,889	-	-	1,054	1,889	(44.2)%	
Unrestricted	863	405	28	28	891	433	105.8%	
Total net assets	\$ 15,282	\$ 14,259	\$ 68	\$ 73	\$ 15,350	\$ 14,332	7.1%	

Changes in Net Assets (Expressed in Thousands)					
Governmental Activities		Business type Activities		Total District	
June 30,		June 30,		June 30,	
2004	2003	2004	2003	2004	2003

Revenues:

Program revenues:

Charges for services	\$ 1,112	\$ 951	\$ 439	\$ 451	\$ 1,551	\$ 1,402
Operating grants, contributions and restricted interest	2,278	2,535	418	363	2,696	2,898
Capital grants, contributions and restricted interest	-	1,286	-	22	-	1,308

General revenues:

Property and other taxes	9,470	8,371	-	-	9,470	8,371
Unrestricted state grants	8,958	8,198	-	-	8,958	8,198
Other	426	270	-	1	426	271
Total revenues	<u>22,244</u>	<u>21,611</u>	<u>857</u>	<u>837</u>	<u>23,101</u>	<u>22,448</u>

Program expenses:

Governmental Activities:

Instruction	12,004	11,770	-	-	12,004	11,770
Support services	5,369	5,190	-	-	5,369	5,190
Other expenses	3,849	2,751	-	-	3,849	2,751

Business-type Activities:

Other expenses	-	-	862	802	862	802
Total expenses	<u>21,222</u>	<u>19,711</u>	<u>862</u>	<u>802</u>	<u>22,084</u>	<u>20,513</u>

Change in net assets	\$ <u>1,022</u>	\$ <u>1,900</u>	\$ <u>(5)</u>	\$ <u>35</u>	\$ <u>1,017</u>	\$ <u>1,935</u>
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GOVERNMENTAL ACTIVITIES

The revenues for governmental activities were \$22,244,108 and expenses were \$21,221,703. The costs financed by users of the District's programs were \$1,111,984.

Federal and state governments subsidized certain programs with grants and contributions totaling \$2,277,550.

The net cost of governmental activities was financed with \$9,470,373 in local property tax and local option sales and services taxes, \$8,957,793 in unrestricted state grants, and \$255,863 in interest on investments.

The local option sales tax revenue of \$2,539,746 contributed to the increase in net assets.

BUSINESS-TYPE ACTIVITIES

Revenues of the District's business-type activities were \$857,215 and expenses were \$861,889. The Nutrition Fund comprises the only business-type activity for the District. Revenues included \$438,730 in charges for services, \$418,229 in state and federal grants and \$256 in interest.

The cash balance of the Nutrition Fund at the beginning of the year, \$17,215, increased to \$19,299 at the end of the fiscal year due to the adjustment in meal prices and to certain cost efficiencies incorporated by the Director.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted, the Oskaloosa Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The District's Governmental Fund balances increased a total of \$2,503,432 over the previous fiscal year. The individual fund balance changes were as follows:

	<u>Beginning</u>	<u>Increase</u>	<u>Ending</u>
General Fund	\$ 919,589	\$ 781,408	\$ 1,700,997
Capital Projects	4,666,669	2,340,534	7,007,203
Non-major Funds	1,811,191	(618,510)	1,192,681

Notes:

1. The reasons for the increase in funds for the General Fund were discussed earlier in this report.
2. The increase in the Capital Projects Fund was due to an excess in the collection of the local options sales and services taxes and revenue bond proceeds over total expenditures on capital projects.
3. The decrease in Non-major Fund Balance was due to an increase in early retirement benefits and casualty insurance premiums that are paid from the Management Fund and due to capital loan notes issued in the prior year and recorded in the Physical Plant and Equipment Levy Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. This is referred to as the certified budget. It may be amended during the year utilizing similar statutorily prescribed procedures. The District's certified budget is prepared on a cash basis in accordance with generally accepted accounting principles. During the 2003/2004 fiscal year, the District amended its budget once to reflect increased expenditure estimates in two of the four budget categories.

The total receipts for the governmental and proprietary funds were greater than budgeted amounts due to unexpected funds from local sources, specifically open enrollment and special education tuition from other schools. Unexpected income from Title One and Title Two Grants and from Medicaid reimbursements provided greater than expected Federal funds. Actual expenditures were only slightly less than budgeted amounts. The difference was due to not filling some vacancies created by retirements and resignations.

CAPITAL ASSET AND DEBT ADMINISTRATION

By the end of the 2004 fiscal year, the District had invested in a broad range of capital assets including land, buildings, athletic facilities, computers and audio-visual equipment, transportation equipment and administrative offices.

Figure 2 shows total investment in capital assets net of accumulated depreciation.

Figure 2 indicates a substantial increase in construction in progress. This increase is due to the two major construction projects previously mentioned. The high school addition and renovation and the new elementary building are being financed with Sales and Services Tax Revenue Bonds and Capital Loan Notes. The obligations at year-end were as follows:

Capital Loan Notes	\$ 2,340,000
Local Option Sales and Services Tax Revenue Bonds	11,225,000
School Infrastructure Local Option Sales and Services Tax Revenue Bonds	7,775,000

Figure 2

SUMMARY OF CAPITAL ASSETS, NET OF DEPRECIATION

	Governmental Activities		Business Activities		Total District		Change
	2004	2003	2004	2003	2004	2003	
Land	\$ 358,751	\$ 358,751	\$ -	\$ -	\$ 358,751	\$ 358,751	\$ -
Construction in Progress	18,123,100	5,983,218	-	-	18,123,100	5,983,218	12,139,882
Buildings	7,817,102	8,097,172	-	-	7,817,102	8,097,172	(280,070)
Improvements	53,576	64,262	-	-	53,576	64,262	(10,686)
Furniture & Equipment	1,344,768	1,085,219	39,864	45,253	1,384,632	1,130,472	254,160
Total District	<u>\$ 27,697,297</u>	<u>\$ 15,588,622</u>	<u>\$ 39,864</u>	<u>\$ 45,253</u>	<u>\$ 27,737,161</u>	<u>\$ 15,633,875</u>	<u>\$ 12,103,286</u>

LONG-TERM DEBT

Figure 3 outlines the composition of the total long-term liability amount of \$21,890,619 for the District as of June 30, 2004.

During the fiscal year 2002, the District's voters approved the issuance of local option sales and services tax revenue bonds not to exceed \$20,000,000. A total of \$13,720,000 of these bonds were issued during fiscal 2004.

Figure 3

SUMMARY OF LONG-TERM DEBT

	Total Long-Term Debt		Total Change
	2003	2004	
Early Retirement	\$ 251,863	\$ 243,600	2.4%
Compensated Absences	41,228	46,131	(1.3)%
Capital Loan Notes	2,530,000	2,340,000	(7.5)%
Local Option Sales and Services Tax Revenue Bonds	5,660,000	11,225,000	98.3%
School Infrastructure Local Option Sales and Services Tax Revenue Bonds	100,000	7,775,000	7,675.0%
Lease Purchase Agreement	-	260,888	N/A
	<u>\$ 8,583,091</u>	<u>\$ 21,890,619</u>	<u>155.0%</u>

FACTORS BEARING ON THE DISTRICT'S FUTURE

A substantial part of the General Fund revenues are determined by the aid and levy worksheet that utilizes the District's certified enrollment to establish the combined District cost. The certified enrollment decreased in 2003/2004. If this trend continues, the District's Administration will need to reduce expenditures levels to reflect decreased revenues.

A substantial part of the General Fund expenditures are wages and benefits. A majority of the District's employees are covered by state-mandated collective bargaining agreements. The final step in the negotiation process is binding arbitration. If the negotiation process progresses to this level, the outcome may produce wages and benefits in excess of available funding. If this happens, administration will be forced to reduce the expenditure budget with cuts in staff a likely target.

CONTACTS

For information regarding this report, contact Jake Roberts, Board Secretary, Oskaloosa Community School, 1800 North 3rd, Oskaloosa, Iowa 52577, telephone, 641-673-8345.

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Basic Financial Statements

OSKALOOSA COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2004

	Governmental Activities	Business-type Activities	Total
<u>Assets</u>			
Cash and pooled investments	\$ 11,709,180	\$ 19,299	\$ 11,728,479
Receivables:			
Property tax:			
Current year	115,724	-	115,724
Succeeding year	6,604,000	-	6,604,000
Accrued interest	84,641	19	84,660
Accounts	27,936	-	27,936
Due from other governments	509,758	-	509,758
Inventories	-	17,931	17,931
Restricted ISCAP assets (note 5):			
Investments	756,076	-	756,076
Accrued interest receivable	51	-	51
Capital assets, net of accumulated depreciation (note 6)	27,697,297	39,864	27,737,161
Total assets	47,504,663	77,113	47,581,776
<u>Liabilities</u>			
Accounts payable	883,544	8,714	892,258
Salaries and benefits payable	1,666,878	-	1,666,878
Accrued interest payable	425,659	-	425,659
ISCAP warrants payable (note 5)	752,000	-	752,000
ISCAP accrued interest payable (note 5)	63	-	63
Deferred revenue:			
Succeeding year property tax	6,604,000	-	6,604,000
Long-term liabilities (note 7):			
Portion due within one year:			
Early retirement	112,905	-	112,905
Notes payable	195,000	-	195,000
Bonds payable	1,315,000	-	1,315,000
Compensated absences	46,131	-	46,131
Portion due after one year:			
Early retirement	130,695	-	130,695
Notes payable	2,145,000	-	2,145,000
Bonds payable	17,685,000	-	17,685,000
Lease purchase agreement	260,888	-	260,888
Total liabilities	32,222,763	8,714	32,231,477

OSKALOOSA COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2004

	Governmental Activities	Business-type Activities	Total
Net Assets			
Invested in capital assets, net of related debt	\$ 13,364,500	\$ 39,864	\$ 13,404,364
Restricted for:			
Physical plant and equipment levy	805,248	-	805,248
Other special revenue purposes	249,427	-	249,427
Unrestricted	862,725	28,535	891,260
Total net assets	\$ 15,281,900	\$ 68,399	\$ 15,350,299

See notes to financial statements.

OSKALOOSA COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants, Contributions and Restricted Interest
Governmental Activities:			
Instruction:			
Regular instruction	\$ 8,012,344	\$ 373,653	\$ 507,738
Special instruction	2,436,158	167,554	631,844
Other instruction	1,554,908	543,904	-
	<u>12,003,410</u>	<u>1,085,111</u>	<u>1,139,582</u>
Support services:			
Student services	950,767	100	148,350
Instructional staff services	450,059	-	224,019
Administration services	1,450,129	-	-
Operation and maintenance of plant services	1,755,396	-	-
Transportation services	637,029	18,585	61,673
Central support services	125,895	8,188	-
	<u>5,369,275</u>	<u>26,873</u>	<u>434,042</u>
Other expenditures:			
Facilities acquisition	1,812,558	-	-
Long-term debt interest and fiscal charges	1,041,778	-	-
AEA flowthrough	703,926	-	703,926
Depreciation (unallocated) *	290,756	-	-
	<u>3,849,018</u>	<u>-</u>	<u>703,926</u>
Total governmental activities	21,221,703	1,111,984	2,277,550
Business-Type Activities:			
Non-instructional programs:			
Food service operations	861,889	438,730	418,229
Total	\$ 22,083,592	\$ 1,550,714	\$ 2,695,779

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (7,130,953)	\$ -	\$ (7,130,953)
(1,636,760)	-	(1,636,760)
(1,011,004)	-	(1,011,004)
(9,778,717)	-	(9,778,717)
(802,317)	-	(802,317)
(226,040)	-	(226,040)
(1,450,129)	-	(1,450,129)
(1,755,396)	-	(1,755,396)
(556,771)	-	(556,771)
(117,707)	-	(117,707)
(4,908,360)	-	(4,908,360)
(1,812,558)	-	(1,812,558)
(1,041,778)	-	(1,041,778)
-	-	-
(290,756)	-	(290,756)
(3,145,092)	-	(3,145,092)
(17,832,169)	-	(17,832,169)
-	(4,930)	(4,930)
(17,832,169)	(4,930)	(17,837,099)

OSKALOOSA COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2004

Functions/Programs

General Revenues:

Property tax levied for:

General purposes

Capital outlay

Local option sales and services tax

Unrestricted state grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

* = This amount excludes the depreciation that is included
in the direct expense of the various programs.

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ 6,468,214	\$ -	\$ 6,468,214
462,413	-	462,413
2,539,746	-	2,539,746
8,957,793	-	8,957,793
255,863	256	256,119
170,545	-	170,545
18,854,574	256	18,854,830
1,022,405	(4,674)	1,017,731
14,259,495	73,073	14,332,568
<u>\$ 15,281,900</u>	<u>\$ 68,399</u>	<u>\$ 15,350,299</u>

OSKALOOSA COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2004

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and pooled investments	\$ 2,891,935	\$ 7,463,400	\$ 1,353,845	\$ 11,709,180
Receivables:				
Property tax:				
Delinquent	103,563	-	12,161	115,724
Succeeding year	5,940,000	-	664,000	6,604,000
Accrued interest	10,578	71,779	2,284	84,641
Interfund receivable (note 3)	167,204	-	-	167,204
Accounts	-	27,936	-	27,936
Due from other governments	237,707	272,051	-	509,758
Restricted ISCAP assets (note 5):				
Investments	756,076	-	-	756,076
Accrued interest receivable	51	-	-	51
	<u>\$ 10,107,114</u>	<u>\$ 7,835,166</u>	<u>\$ 2,032,290</u>	<u>\$ 19,974,570</u>
Total assets				
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 47,176	\$ 827,963	\$ 8,405	\$ 883,544
Salaries and benefits payable	1,666,878	-	-	1,666,878
Interfund payable	-	-	167,204	167,204
ISCAP warrants payable (note 5)	752,000	-	-	752,000
ISCAP accrued interest payable (note 5)	63	-	-	63
Deferred revenue:				
Succeeding year property tax	5,940,000	-	664,000	6,604,000
Total liabilities	<u>8,406,117</u>	<u>827,963</u>	<u>839,609</u>	<u>10,073,689</u>
Fund balance:				
Reserved for:				
Debt service	-	-	39,623	39,623
Unreserved:				
Reported in nonmajor Special				
Revenue Funds	-	-	1,153,058	1,153,058
Undesignated	1,700,997	7,007,203	-	8,708,200
Total fund balances	<u>1,700,997</u>	<u>7,007,203</u>	<u>1,192,681</u>	<u>9,900,881</u>
Total liabilities and fund balances	<u>\$ 10,107,114</u>	<u>\$ 7,835,166</u>	<u>\$ 2,032,290</u>	<u>\$ 19,974,570</u>

See notes to financial statements.

OSKALOOSA COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 June 30, 2004

Total fund balances of governmental funds	\$ 9,900,881
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	27,697,297
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(425,659)
Long-term liabilities, including capital lease payments, notes and bonds payable, early retirement, and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(21,890,619)</u>
Net assets of governmental activities	<u>\$ 15,281,900</u>

See notes to financial statements.

OSKALOOSA COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2004

	General	Capital Projects	Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 6,182,774	\$ 2,539,746	\$ 742,684	\$ 9,465,204
Tuition	444,713	-	-	444,713
Other	179,370	294,692	567,168	1,041,230
Intermediate sources	-	-	-	-
State sources	10,314,864	-	465	10,315,329
Federal sources	925,182	-	-	925,182
Total revenues	18,046,903	2,834,438	1,310,317	22,191,658
Expenditures:				
Current:				
Instruction:				
Regular instruction	7,882,822	-	325,441	8,208,263
Special instruction	2,493,156	-	-	2,493,156
Other instruction	926,336	-	628,572	1,554,908
	11,302,314	-	954,013	12,256,327
Support services:				
Student services	950,767	-	-	950,767
Instructional staff services	450,061	-	-	450,061
Administration services	1,454,979	-	-	1,454,979
Operation and maintenance of plant services	1,720,436	-	-	1,720,436
Transportation services	566,650	-	-	566,650
Central and other support services	125,895	-	-	125,895
	5,268,788	-	-	5,268,788
Other expenditures:				
Facilities acquisition	-	13,103,461	1,220,464	14,323,925
Long term debt:				
Principal	-	-	670,000	670,000
Interest and fiscal charges	-	-	611,723	611,723
AEA flowthrough	703,926	-	-	703,926
	703,926	13,103,461	2,502,187	16,309,574
Total expenditures	17,275,028	13,103,461	3,456,200	33,834,689
Excess (deficiency) of revenues over (under) expenditures	771,875	(10,269,023)	(2,145,883)	(11,643,031)

OSKALOOSA COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2004

	General	Capital Projects	Nonmajor Governmental Funds	Total
Other financing sources (uses):				
Sale of equipment	\$ 9,533	\$ -	\$ -	\$ 9,533
Sale of real property	-	-	14,981	14,981
Compensation for loss of fixed assets	-	27,936	-	27,936
Interfund transfers in	-	-	1,281,723	1,281,723
Interfund transfers out	-	(990,498)	(291,225)	(1,281,723)
Capital lease proceeds	-	-	521,894	521,894
General obligation bonds issued (net issuance costs of \$147,881)	-	13,572,119	-	13,572,119
Total other financing sources (uses)	<u>9,533</u>	<u>12,609,557</u>	<u>1,527,373</u>	<u>14,146,463</u>
Net change in fund balances	781,408	2,340,534	(618,510)	2,503,432
Fund balances beginning of year	<u>919,589</u>	<u>4,666,669</u>	<u>1,811,191</u>	<u>7,397,449</u>
Fund balances end of year	<u>\$ 1,700,997</u>	<u>\$ 7,007,203</u>	<u>\$ 1,192,681</u>	<u>\$ 9,900,881</u>

See notes to financial statements.

OSKALOOSA COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2004

Net change in fund balances - total governmental funds \$ 2,503,432

Amounts reported for governmental activities in the statement of activities
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the statement of net assets and are allocated over their estimated useful lives as depreciation expense in the statement of activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 12,730,907	
Depreciation expense	<u>(622,232)</u>	12,108,675

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets. 931,006

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (282,174)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 3,360

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds but increase long-term liabilities in the statement of net assets and do not affect the statement of activities. (14,094,013)

Issuance costs for long-term debt are netted from the proceeds in governmental funds but are included as an expense in the statement of activities. (147,881)

Change in net assets of governmental activities \$ 1,022,405

See notes to financial statements.

OSKALOOSA COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2004

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 19,299
Accrued interest	19
Inventories	17,931
Capital assets, net of accumulated depreciation	<u>39,864</u>
Total assets	<u>77,113</u>
Liabilities	
Accounts payable	<u>8,714</u>
Net Assets	
Invested in capital assets, net of related debt	39,864
Unrestricted	<u>28,535</u>
Total net assets	<u>\$ 68,399</u>

See notes to financial statements.

OSKALOOSA COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2004

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for services	\$ <u>438,730</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	290,760
Benefits	96,938
Purchased services	1,734
Supplies	467,068
Depreciation	<u>5,389</u>
	<u>861,889</u>
Operating loss	<u>(423,159)</u>
Non-operating revenues:	
Interest on investments	256
State sources	11,581
Federal sources	<u>406,648</u>
Total non-operating revenues	<u>418,485</u>
Change in net assets	(4,674)
Net assets beginning of year	<u>73,073</u>
Net assets end of year	\$ <u><u>68,399</u></u>

See notes to financial statements.

OSKALOOSA COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2004

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 434,723
Cash received from miscellaneous operating activities	4,007
Cash payments to employees for services	(387,698)
Cash payments to suppliers for goods or services	<u>(404,385)</u>
Net cash used in operating activities	<u>(353,353)</u>
Cash flows from non-capital financing activities:	
State grants received	11,581
Federal grants received	<u>343,590</u>
Net cash provided by non-capital financing activities	<u>355,171</u>
Cash flows from investing activities:	
Interest on investments	<u>266</u>
Net increase in cash and cash equivalents	2,084
Cash and cash equivalents beginning of year	<u>17,215</u>
Cash and cash equivalents end of year	\$ <u><u>19,299</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (423,159)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	5,389
Commodities used	63,058
Decrease in inventories	638
Increase in accounts payable	<u>721</u>
Net cash used in operating activities	\$ <u><u>(353,353)</u></u>
Non-cash investing, capital and financing activities:	
During the year ended June 30, 2004, the District received \$63,058 of federal commodities.	

See notes to financial statements.

OSKALOOSA COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

June 30, 2004

	Private Purpose Trust
	<u>Scholarship</u>
Assets:	
Cash and pooled investments	\$ <u>1,972</u>
Liabilities:	
None	<u>-</u>
Net assets:	
Reserved for scholarships	\$ <u><u>1,972</u></u>

See notes to financial statements.

OSKALOOSA COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 Year Ended June 30, 2004

	Private Purpose Trust
	<u>Scholarship</u>
Additions:	
Local sources:	
Interest	\$ <u>20</u>
Deductions:	
Support services:	
Scholarships awarded	<u>3,678</u>
Change in net assets	(3,658)
Net assets beginning of year	<u>5,630</u>
Net assets end of year	\$ <u><u>1,972</u></u>

See notes to financial statements.

OSKALOOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies

Oskaloosa Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Oskaloosa, Iowa, and the predominate agricultural territory in Mahaska County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Oskaloosa Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Oskaloosa Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Mahaska County Assessor's Conference Board.

B. Basis of Presentation

District-wide Financial Statements – The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The statement of net assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

OSKALOOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the main operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District's proprietary fund is the Enterprise, School Nutrition Fund, used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements with restrictions of income earned to be used to benefit individuals through scholarship awards.

OSKALOOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

All proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

OSKALOOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the statement of net assets and the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget to the County Auditor by April 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2003.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

OSKALOOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment are reported in the applicable governmental or business-type activities columns in the District-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives.

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Improvements other than buildings	1,000
Furniture and equipment:	
School Nutrition Fund Equipment	500
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	45 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

OSKALOOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the District-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only if they have matured as a result of employee resignations or retirements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Invested in capital assets, net of related debt – In the District-wide statement of net assets, the net asset balance invested in capital assets, net of related debt is equal to the capital assets balances, including restricted capital assets, less accumulated depreciation and the outstanding balances of any bonds, notes, or other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets – In the District-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements in the non-instructional programs functional area exceeded the amount budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds. The District's depository limit was exceeded in April, 2004.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

OSKALOOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 2. Cash and Pooled Investments (continued)

The District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$29,266 pursuant to Rule 2a-7 under the Investment Company Act of 1940. Governmental Accounting Standards Board Statement No. 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year end. The District's investment in the Iowa Schools Joint Investment Trust is not subject to risk categorization.

Note 3. Interfund Receivables/Payables

The amounts of interfund receivables and payables arising from pooled cash and investment balances are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue, Management Levy	\$ <u>167,204</u>

Note 4. Interfund Transfers

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Special Revenue: Physical Plant and Equipment Levy	\$ <u>291,225</u>
	Capital Projects	<u>990,498</u>
Total		\$ <u>1,281,723</u>

OSKALOOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 5. Iowa Schools Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2004 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
2004-05A	6/30/2004	6/30/2005	\$ <u>756,076</u>	\$ <u>51</u>	\$ <u>752,000</u>	\$ <u>63</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The District had no ISCAP advance activity in the General Fund for the year ended June 30, 2004.

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2004-05A	3.000%	2.463%

OSKALOOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 6. Capital Assets

Capital assets activity for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 358,751	\$ -	\$ -	\$ 358,751
Construction in progress	5,983,218	12,139,882	-	18,123,100
Total capital assets not being depreciated	6,341,969	12,139,882	-	18,481,851
Capital assets being depreciated:				
Buildings	12,963,655	-	59,678	12,903,977
Improvements other than buildings	297,190	-	-	297,190
Furniture and equipment	5,504,085	591,025	124,947	5,970,163
Total capital assets being depreciated	18,764,930	591,025	184,625	19,171,330
Less accumulated depreciation for:				
Buildings	4,866,483	280,070	59,678	5,086,875
Improvements other than buildings	232,928	10,686	-	243,614
Furniture and equipment	4,418,866	331,476	124,947	4,625,395
Total accumulated depreciation	9,518,277	622,232	184,625	9,955,884
Total capital assets being depreciated, net	9,246,653	(31,207)	-	9,215,446
Governmental activities capital assets, net	\$ 15,588,622	\$ 12,108,675	\$ -	\$ 27,697,297

OSKALOOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 6. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 131,080	\$ -	\$ 45,041	\$ 86,039
Less accumulated depreciation	85,827	5,389	45,041	46,175
Business-type activities capital assets, net	<u>\$ 45,253</u>	<u>\$ (5,389)</u>	<u>\$ -</u>	<u>\$ 39,864</u>

Depreciation expense was charged by the District to the following functions:

Governmental activities:

Instruction:

Regular	\$ 166,799
Special	50,663

Support services:

General administration	8,673
Operation and maintenance of plant services	34,961
Transportation	70,380
	<u>331,476</u>
Unallocated depreciation	<u>290,756</u>

Total governmental activities depreciation expense	<u>\$ 622,232</u>
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Business-type activities:

Food service operations	<u>\$ 5,389</u>
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OSKALOOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 7. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Early Retirement	\$ 251,863	\$ 140,050	\$ 148,313	\$ 243,600	\$ 112,905
Capital Loan Notes	2,530,000	-	190,000	2,340,000	195,000
Local Option Sales and Services Tax Revenue Bonds	5,660,000	5,845,000	280,000	11,225,000	575,000
School Infrastructure Local Option Sales and Services Tax Revenue Bonds	100,000	7,875,000	200,000	7,775,000	740,000
Lease Purchase Agreement	-	521,868	260,980	260,888	-
Compensated Absences	41,228	46,131	41,228	46,131	46,131
Balance end of year	<u>\$ 8,583,091</u>	<u>\$ 14,428,049</u>	<u>\$ 1,120,521</u>	<u>\$ 21,890,619</u>	<u>\$ 1,669,036</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees, administrators, nurses, and directors. Eligible employees must be between ages fifty-five and sixty-five and employees must have completed twenty years of continuous service to the District or fifteen years with the District and then may add one half the years of service with another District to a maximum of five years to meet the twenty year requirement. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is a flat dollar lump sum payment based upon the years of service the employee had as of the retirement year. The early retiree will also be eligible for monthly insurance premium benefits up to a maximum \$150 per month. This benefit will be discontinued when the retirees have been retired for nine years, if the retiree becomes eligible for Medicare, or when the retiree reaches age 65, whichever occurs first. Early retirement benefits paid during the year ended June 30, 2004, totaled \$148,313.

OSKALOOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 7. Long-Term Liabilities (continued)

Capital Loan Notes

Details of the District's June 30, 2004 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2005	3.25 %	\$ 195,000	\$ 94,750	289,750
2006	3.30	205,000	88,412	293,412
2007	3.70	210,000	81,648	291,648
2008	3.90	220,000	73,878	293,878
2009	4.00	225,000	65,298	290,298
2010	4.10	235,000	56,298	291,298
2011	4.25	245,000	46,662	291,662
2012	4.40	255,000	36,250	291,250
2013	4.50	270,000	25,030	295,030
2014	4.60	280,000	12,880	292,880
Total		\$ <u>2,340,000</u>	\$ <u>581,106</u>	\$ <u>2,921,106</u>

Local Option Sales and Services Tax Revenue Bonds

During the year ended June 30, 2004, the District issued local option sales and services tax revenue bonds, dated July 1, 2004, with interest rates ranging from 2.00% to 3.625%. The total issuance of Sales and Services Tax Revenue Bonds is not to exceed \$20,000,000.

OSKALOOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 7. Long-Term Liabilities (continued)

Local Option Sales and Services Tax Revenue Bonds (continued)

Details of the District's local option sales and services tax revenue bonded indebtedness are as follows:

Year Ended June 30,	Issue Dated September 1, 2002 Series 2002A-422B			Issue Dated September 1, 2002 Subordinate Series 2002B-422B		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest
2005	4.050 %	\$ -	\$ 144,506	3.125 %	\$ -	\$ 103,922
2006	4.050	-	144,506	3.125	145,000	103,922
2007	4.050	-	144,506	3.375	150,000	99,390
2008	4.050	-	144,506	3.750	155,000	94,328
2009	4.050	-	144,506	4.125	165,000	88,516
2010	4.050	-	144,506	4.500	170,000	81,708
2011	4.050	-	144,506	4.625	180,000	74,058
2012	4.050	-	144,506	4.750	190,000	65,734
2013	4.050	175,000	144,506	4.875	205,000	56,708
2014	4.200	750,000	129,824	5.000	210,000	46,716
2015	4.250	780,000	98,290	5.000	225,000	36,216
2016	4.375	820,000	64,813	5.150	235,000	24,966
2017	4.500	860,000	28,756	5.250	245,000	12,862
Total		\$ 3,385,000	\$ 1,622,237		\$ 2,275,000	\$ 889,046

OSKALOOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 7. Long-Term Liabilities (continued)

Local Option Sales and Services Tax Revenue Bonds (continued)

Issue Dated July 1, 2003						
Series 2003A-422B						
Year Ended June 30,	Interest			Total		
	Rate	Principal	Interest	Principal	Interest	
2005	2.000 %	\$ 575,000	\$ 157,538	\$ 575,000	\$ 405,966	
2006	2.500	585,000	145,988	730,000	394,416	
2007	2.500	600,000	131,963	750,000	375,859	
2008	3.000	615,000	116,900	770,000	355,734	
2009	3.000	630,000	99,138	795,000	332,160	
2010	3.125	650,000	80,088	820,000	306,302	
2011	3.375	670,000	59,741	850,000	278,305	
2012	3.500	695,000	37,378	885,000	247,618	
2013	3.625	545,000	13,006	925,000	214,220	
2014	-	-	-	960,000	176,540	
2015	-	-	-	1,005,000	134,506	
2016	-	-	-	1,055,000	89,779	
2017	-	-	-	1,105,000	41,618	
Total		\$ 5,565,000	\$ 841,740	\$ 11,225,000	\$ 3,353,023	

OSKALOOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 7. Long-Term Liabilities (continued)

School Infrastructure Local Option Sales and Services Tax Revenue Bonds

During the year ended June 30, 2004, the District issued two series of school infrastructure local option sales and services tax revenue bonds with interest rates ranging from 4.3% to 6.0% on the \$6,460,000 issue dated August 1, 2003 and 5.5% on the \$1,415,000 subordinate issue dated August 1, 2003.

Details of the District's school infrastructure local option sales and services tax revenue bonded indebtedness are as follows:

Year Ended June 30,	Issue Dated September 10, 2002 Series 2002C-422E			Issue Dated August 1, 2003 Series 2003B-422E		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest
2005	4.90 %	\$ 100,000	\$ 4,900	6.00 %	\$ 640,000	\$ 318,595
2006	-	-	-	6.00	680,000	279,595
2007	-	-	-	6.00	725,000	238,195
2008	-	-	-	6.00-4.30	765,000	194,095
2009	-	-	-	4.45-4.60	805,000	157,240
2010	-	-	-	4.70-4.80	840,000	119,840
2011	-	-	-	4.90-5.00	880,000	79,030
2012	-	-	-	5.00	925,000	34,750
Total		<u>\$ 100,000</u>	<u>\$ 4,900</u>		<u>\$ 6,260,000</u>	<u>\$ 1,421,340</u>

Year Ended June 30,	Issue Dated August 1, 2003 Subordinate Series 2003C-422E			Total	
	Interest Rate	Principal	Interest	Principal	Interest
2005	5.500 %	\$ -	\$ 77,825	\$ 740,000	\$ 401,320
2006	5.500	-	77,825	680,000	357,420
2007	5.500	110,000	77,825	835,000	316,020
2008	5.500	120,000	71,775	885,000	265,870
2009	5.500	120,000	65,175	925,000	222,415
2010	5.500	130,000	58,575	970,000	178,415
2011	5.500	140,000	51,425	1,020,000	130,455
2012	5.500	795,000	43,725	1,720,000	78,475
Total		<u>\$ 1,415,000</u>	<u>\$ 524,150</u>	<u>\$ 7,775,000</u>	<u>\$ 1,950,390</u>

OSKALOOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 7. Long-Term Liabilities (continued)

Lease Purchase Agreement

During the year ended June 30, 2004, the District entered into a lease-purchase agreement for the purchase of various computer equipment. The present value of the lease is \$521,868 at a discounted interest rate of 1.9%. The lease requires annual payments totaling \$134,173.

Details of the District's June 30, 2004 lease-purchase agreement are as follows:

Year Ended June 30,	Principal	Interest	Total
2006	\$ 129,216	\$ 4,957	\$ 134,173
2007	<u>131,672</u>	<u>2,502</u>	<u>134,174</u>
Total	<u>\$ 260,888</u>	<u>\$ 7,459</u>	<u>\$ 268,347</u>

Note 8. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$608,723, \$604,278, and \$606,214 respectively, equal to the required contributions for each year.

Note 9. Risk Management

Oskaloosa Community School District is a member in the Iowa School Employees Benefits Association, an Iowa Code Chapter 28E organization. The Iowa School Employees Benefits Association (ISEBA) is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. ISEBA was formed July 1999 for the purpose of managing and funding employee benefits. ISEBA provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

Each member's contributions to ISEBA fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, ISEBA's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

OSKALOOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 9. Risk Management (continued)

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2004 were \$1,759,165.

Payments from participating members are the sole source for paying claims and establishing reserves for the ISEBA self-funded programs. Stop loss insurance is purchased by ISEBA to protect against large claims but the potential exists for claims to exceed premium payments made by members into the program. In the event that claims exceed premiums and reserves, an assessment may be necessary to pay claims and replenish reserves in the program.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the District's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw. ISEBA will pay claims incurred before the termination date.

Oskaloosa Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$703,926 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Construction Commitments

The District entered into various contracts totaling \$11,385,291, including change orders, for a new elementary school building and other projects. In addition, the District had carryover construction commitments from the prior year totaling \$5,364,525, including change orders. At June 30, 2004 \$12,139,882 of the contracts were completed and paid and \$737,035 was recorded in accounts payable. The remaining amounts of the contracts will be paid as work on the project progresses.

Note 12. Financial Condition

The Special Revenue Fund, Management Fund, as reported under Other Governmental Funds in Exhibit E, Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds, had a deficit undesignated, unreserved fund balance at June 30, 2004 of \$162,505. In addition, the Special Revenue Fund, Activity Fund had several individual account deficit balances.

Required Supplementary Information

OSKALOOSA COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Fund Required Supplementary Information Year Ended June 30, 2004

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
RECEIPTS:						
Local sources	\$ 10,760,593	\$ 438,996	\$ 11,199,589	\$ 9,271,593	\$ 9,271,593	\$ 1,927,996
State sources	10,387,970	11,581	10,399,551	11,772,103	11,772,103	(1,372,552)
Federal sources	704,410	406,648	1,111,058	520,000	520,000	591,058
Total receipts	21,852,973	857,225	22,710,198	21,563,696	21,563,696	1,146,502
DISBURSEMENTS:						
Instruction	12,211,336	-	12,211,336	12,490,000	12,490,000	278,664
Support services	5,258,244	-	5,258,244	5,280,600	5,280,600	22,356
Non-instructional programs	-	855,141	855,141	700,000	800,000	(55,141)
Other expenditures	16,675,525	-	16,675,525	16,198,757	17,198,757	523,232
Total disbursements	34,145,105	855,141	35,000,246	34,669,357	35,769,357	769,111
Excess (deficiency) of receipts over (under) disbursements	(12,292,132)	2,084	(12,290,048)	(13,105,661)	(14,205,661)	1,915,613
Other financing sources, net	14,146,463	-	14,146,463	12,430,000	12,430,000	1,716,463
Excess (deficiency) of receipts and other financing sources over (under) disbursements	1,854,331	2,084	1,856,415	(675,661)	(1,775,661)	3,632,076
Balance beginning of year	9,854,849	17,215	9,872,064	7,629,276	7,629,276	2,242,788
Balance end of year	\$ <u>11,709,180</u>	\$ <u>19,299</u>	\$ <u>11,728,479</u>	\$ <u>6,953,615</u>	\$ <u>5,853,615</u>	\$ <u>5,874,864</u>

See accompanying independent auditor's report.

OSKALOOSA COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule – Budget to GAAP Reconciliation Required Supplementary Information Year Ended June 30, 2004

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 21,852,973	\$ 338,685	\$ 22,191,658
Expenditures	34,145,105	(310,416)	33,834,689
Net	(12,292,132)	649,101	(11,643,031)
Other financing sources (uses)	14,146,463	-	14,146,463
Beginning fund balances	9,854,849	(2,457,400)	7,397,449
Ending fund balances	<u>\$ 11,709,180</u>	<u>\$ (1,808,299)</u>	<u>\$ 9,900,881</u>
	Proprietary Fund		
	Cash Basis	Enterprise Accrual Adjust- ments	Accrual Basis
Revenues	\$ 857,225	\$ (10)	\$ 857,215
Expenses	855,141	6,748	861,889
Net	2,084	(6,758)	(4,674)
Beginning net assets	17,215	55,858	73,073
Ending net assets	<u>\$ 19,299</u>	<u>\$ 49,100</u>	<u>\$ 68,399</u>

See accompanying independent auditor's report.

OSKALOOSA COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$1,100,000.

During the year ended June 30, 2004, disbursements in the non-instructional programs functional area exceeded the amount budgeted.

Other Supplementary Information

OSKALOOSA COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2004

	Special Revenue				
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	Total
Assets					
Cash and pooled investments	\$ -	\$ 257,292	\$ 1,056,930	\$ 39,623	\$ 1,353,845
Receivables:					
Property tax:					
Current year	4,699	-	7,462	-	12,161
Succeeding year	272,000	-	392,000	-	664,000
Accrued interest	-	540	1,744	-	2,284
Total assets	\$ 276,699	\$ 257,832	\$ 1,458,136	\$ 39,623	\$ 2,032,290
Liabilities and Fund Equity					
Liabilities:					
Accounts payable	\$ -	\$ 8,405	\$ -	\$ -	\$ 8,405
Interfund payable	167,204	-	-	-	167,204
Deferred revenue:					
Succeeding year property tax	272,000	-	392,000	-	664,000
Total liabilities	439,204	8,405	392,000	-	839,609
Fund equity:					
Fund balances:					
Reserved for:					
Debt service	-	-	-	39,623	39,623
Unreserved:					
Undesignated	(162,505)	249,427	1,066,136	-	1,153,058
Total fund equity	(162,505)	249,427	1,066,136	39,623	1,192,681
Total liabilities and fund equity	\$ 276,699	\$ 257,832	\$ 1,458,136	\$ 39,623	\$ 2,032,290

See accompanying independent auditor's report.

OSKALOOSA COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2004

	Special Revenue				Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	
Revenues:					
Local sources:					
Local tax	\$ 280,512	\$ -	\$ 462,172	\$ -	\$ 742,684
Other	-	545,504	21,664	-	567,168
State sources	224	-	241	-	465
Total revenues	280,736	545,504	484,077	-	1,310,317
Expenditures:					
Current:					
Instruction:					
Regular instruction	325,441	-	-	-	325,441
Other instruction	-	628,572	-	-	628,572
Other expenditures:					
Facilities acquisition	-	-	1,220,464	-	1,220,464
Long term debt:					
Principal	-	-	-	670,000	670,000
Interest and fiscal charges	-	-	-	611,723	611,723
Total expenditures	325,441	628,572	1,220,464	1,281,723	3,456,200
Deficiency of revenues under expenditures	(44,705)	(83,068)	(736,387)	(1,281,723)	(2,145,883)
Other financing sources (uses)					
Sale of real property	-	-	14,981	-	14,981
Capital lease proceeds	-	-	521,894	-	521,894
Interfund transfers in	-	-	-	1,281,723	1,281,723
Interfund transfers out	-	-	(291,225)	-	(291,225)
Total other financing sources (uses)	-	-	245,650	1,281,723	1,527,373

OSKALOOSA COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2004

	<u>Special Revenue</u>				
	<u>Management</u>	<u>Student</u>	<u>Physical</u>	<u>Debt</u>	
	<u>Levy</u>	<u>Activity</u>	<u>Plant and</u>	<u>Service</u>	<u>Total</u>
			<u>Equipment</u>		
			<u>Levy</u>		
Excess (deficiency) of revenues over (under) expenditures and other financing uses	\$ (44,705)	\$ (83,068)	\$ (490,737)	\$ -	\$ (618,510)
Fund balances beginning of year	(117,800)	332,495	1,556,873	39,623	1,811,191
Fund balances end of year	<u>\$ (162,505)</u>	<u>\$ 249,427</u>	<u>\$ 1,066,136</u>	<u>\$ 39,623</u>	<u>\$ 1,192,681</u>

See accompanying independent auditor's report.

OSKALOOSA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2004

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Central Office	\$ 10,819	\$ 24,872	\$ 24,954	\$ 10,737
Elementary:				
Garfield	4,665	-	-	4,665
Grant	11,471	6,442	7,763	10,150
Webster	7,331	6,460	9,907	3,884
Lincoln	5,719	4,040	6,157	3,602
Jefferson	12,218	4,669	7,342	9,545
Whittier	(326)	5,479	3,184	1,969
Other Elementary	7,642	935	440	8,137
Junior High Athletics	(165)	18,233	19,377	(1,309)
Other Junior High	66,905	66,267	113,182	19,990
Senior High Athletics	107,719	202,173	210,008	99,884
Other Senior High	98,497	205,934	226,258	78,173
Total	\$ <u>332,495</u>	\$ <u>545,504</u>	\$ <u>628,572</u>	\$ <u>249,427</u>

See accompanying independent auditor's report.

OSKALOOSA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Modified Accrual Basis Years Ended June 30,			
	2004	2003	2002	2001
Revenues:				
Local sources:				
Local tax	\$ 9,465,204	\$ 8,385,368	\$ 6,465,860	\$ 5,339,250
Tuition	444,713	283,540	279,779	177,140
Other	1,041,230	960,806	1,011,201	963,259
Intermediate sources	-	33,700	4,015	1,129
State sources	10,315,329	11,309,707	10,346,601	10,395,497
Federal sources	925,182	636,812	959,834	413,526
Total revenues	<u>\$ 22,191,658</u>	<u>\$ 21,609,933</u>	<u>\$ 19,067,290</u>	<u>\$ 17,289,801</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 8,208,263	\$ 8,109,955	\$ 8,199,175	\$ 7,911,908
Special instruction	2,493,156	2,123,023	2,078,513	1,813,531
Other instruction	1,554,908	1,538,660	1,477,561	1,607,079
Support services:				
Student services	950,767	914,028	854,094	854,136
Instructional staff services	450,061	441,450	492,378	444,354
Administration services	1,454,979	1,536,750	1,501,823	1,520,655
Operation and maintenance of plant services	1,720,436	1,586,826	1,554,724	1,538,534
Transportation services	566,650	511,112	600,102	548,521
Central and other support services	125,895	91,032	-	96,964
Other expenditures:				
Facilities acquisition	14,323,925	7,653,437	1,189,916	274,517
Long-term debt:				
Principal	670,000	-	-	-
Interest and fiscal charges	611,723	200,904	-	-
AEA flowthrough	703,926	744,979	746,909	750,410
Total expenditures	<u>\$ 33,834,689</u>	<u>\$ 25,452,156</u>	<u>\$ 18,695,195</u>	<u>\$ 17,360,609</u>

See accompanying independent auditor's report.

OSKALOOSA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2004

Grantor / Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Education:			
Food Donation (non-cash)	10.550	FY 04	\$ <u>63,058</u>
Food Stamps	10.561	FY 04	<u>8,137</u>
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 04	62,587
National School Lunch Program	10.555	FY 04	<u>281,003</u>
			<u>343,590</u>
			<u>414,785</u>
U. S. Department of Human Services:			
Iowa Department of Human Services:			
Medical Assistance Program	93.778	FY 04	<u>129,410</u>
Corporation for National and Community Services:			
Iowa Department of Education:			
Learn and Serve America - School and Community Based Programs	94.004	FY 04	<u>836</u>
U. S. Department of Education:			
Iowa Department of Education:			
Title 1 Grants to Local Educational Agencies	84.010	5013G, FY 04	295,078
Title 1 Grants to Local Educational Agencies	84.010	5013GC, FY 04	42,215
Title 1 Grants to Local Educational Agencies	84.010	5013G, FY 03	30,303
Title 1 Assessment	84.010	FY 04	<u>39,214</u>
			<u>406,810</u>
Improving Teacher Quality State Grants	84.367	FY 04	<u>123,789</u>
Innovative Education Program Strategies	84.298	FY 03	14,322
Innovative Education Program Strategies	84.298	FY 04	<u>18,779</u>
			<u>33,101</u>
Grants for State Assessments and Related Activities	84.369	FY 04	<u>15,240</u>
Vocational Education - Basic Grants to States	84.048	FY 04	<u>70,981</u>

OSKALOOSA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2004

Grantor / Program	CFDA Number	Grant Number	Expenditures
Indirect (continued):			
U. S. Department of Education (continued):			
Iowa Department of Education (continued):			
Safe and Drug-Free Schools and Communities			
- State Grants	84.186	FY 04	\$ <u>6,037</u>
Southern Prairie AEA:			
Special Education - Grants to States	84.027	FY 04	<u>90,173</u>
			<u>746,131</u>
Total			\$ <u><u>1,291,162</u></u>

Basis of Presentation –

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Oskaloosa Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Education of
Oskaloosa Community School District:

We have audited the financial statements of Oskaloosa Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated August 5, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Oskaloosa Community School District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about Oskaloosa Community School District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for items IV-G-04 and IV-H-04.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Oskaloosa Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no material weaknesses during the course of our audit. Prior year reportable conditions have been resolved except for items II-A-04, II-B-04 and II-C-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Oskaloosa Community School District and other parties to whom Oskaloosa Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Oskaloosa Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
August 5, 2004

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE

To the Board of Education of
Oskaloosa Community School District:

Compliance

We have audited the compliance of Oskaloosa Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. Oskaloosa Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Oskaloosa Community School District's management. Our responsibility is to express an opinion on Oskaloosa Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U. S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Oskaloosa Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Oskaloosa Community School District's compliance with those requirements.

In our opinion, Oskaloosa Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of Oskaloosa Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Oskaloosa Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Oskaloosa Community School District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no material weaknesses during the course of our audit.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Oskaloosa Community School District and other parties to whom Oskaloosa Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Oskaloosa, Iowa
August 5, 2004

OSKALOOSA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2004

Part I: Summary of the Independent Auditor's Results:

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.010 – Title I Grants to Local Educational Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Oskaloosa Community School District qualified as a low-risk auditee.

OSKALOOSA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2004

Part II: Findings Related to the General Purpose Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Reportable Conditions:

- II-A-04 Financial Condition – The Student Activity Fund had several deficit accounts at June 30, 2004. In addition, the Management Fund within the Special Revenue Fund had as unreserved, undesignated deficit balance of \$162,505 at June 30, 2004.

Recommendation – The District should continue to monitor these accounts and investigate alternatives to eliminate these deficits.

Response – We are monitoring these situations. We are currently analyzing alternatives to reverse these deficit balances. We must also note that the overall fund balance in the Student Activity Fund is positive.

Conclusion – Response accepted.

- II-B-04 Coding Errors – We noted that the District made several coding errors on receipts and disbursements. These coding errors cause difficulty in tracing specific types of expenditures through the District's records. In addition, the State requires specific revenue account codes for State grants which are not always used by the District. This does not allow the tracing of grant specific revenues and expenditures through the District's records. We also noted an insurance reimbursement that was netted to an expenditure code.

Recommendation – The District should be more careful in coding receipts and disbursements. The District should also avoid netting any revenues to expenditure codes, which bypasses the budget process.

Response – We will code all disbursements more carefully in the future. We will also avoid coding any receipts to expenditure codes.

Conclusion – Response accepted.

- II-C-04 Meal Revenue – The District codes all meal revenue into one account. The State requires that reimbursable lunches and breakfasts for children, ala carte items, and adult meals be coded and tracked separately.

Recommendation – The District should begin coding and tracking meal revenues by the above named classifications. This would allow the District to match total revenues for any classification to total meals or items sold.

Response – We will investigate software and coding alternatives to implement better tracking of meal revenues.

Conclusion – Response accepted.

OSKALOOSA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2004

Part II: Findings Related to the General Purpose Financial Statements (continued):

Reportable Conditions (continued):

- II-D-04 Unrecorded Transactions – The District has several accounts at Bankers Trust associated with the bond issuances made in the current and prior years. However, the District does not include these accounts as part of the District’s cash on the monthly balance sheet and does not record interest earned on these accounts in the records except as year end adjustments to the financial statements. The District also does not record the interest earned on the ISJIT accounts except as a year end total adjustment. The situation also does not allow the District to reconcile general ledger accounts to the monthly bank statements on a timely basis.

Recommendation – The District should include all bank accounts and associated transactions in the District’s accounts in the general ledger. This would allow the District to more accurately track and protect the underlying asset and reduce chances for any irregularities in the associated funds. The general ledger should also be reconciled to the monthly bank statements in a timely manner.

Response – We will set up the proper general ledger accounts and account for these transactions in a timely manner in the future.

Conclusion – Response accepted.

OSKALOOSA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2004

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Reportable Conditions:

No matters were reported.

OSKALOOSA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2004

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-04 Official Depositories – Official depositories have been approved by the District. The maximum deposit amount approved was exceeded by \$55,389 at Midwest One Bank and Trust during the year ended June 30, 2004.

Recommendation – A new resolution should be approved in amounts sufficient to cover anticipated deposits for all depositories.

Response – We will approve a new resolution.

Conclusion – Response accepted.

- IV-B-04 Certified Budget – Disbursements for the year ended June 30, 2004, exceeded the amount budgeted in the non-instructional programs functional area.

Recommendation – The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will amend our budget before disbursements exceed the budget.

Conclusion – Response accepted.

- IV-C-04 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- IV-D-04 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- IV-E-04 Business Transactions – No business transactions between the District and District officials or employees were noted.

- IV-F-04 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

- IV-G-04 Board Minutes – We noted that the District is not approving required transactions related to the Scholarship Private Purpose Trust Fund. Also, the publications of bills allowed did not include the Scholarship Private Purpose Trust Fund expenditures.

Recommendation – The District should insure that all transactions requiring approval are properly approved and that all bills are published as required.

Response – We will approve the required transactions in the future and the Scholarship Private Purpose Trust Fund expenditures will be included in the published listing of bills allowed.

Conclusion – Response accepted.

OSKALOOSA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2004

Part IV: Other Findings Related to Statutory Reporting (continued):

IV-H-04 Certified Enrollment – The number of basic resident students reported to the Iowa Department of Education on line 7 of the Certified Enrollment Certification Form for September 2003 was overstated. The District's certified enrollment count included 6 non-resident students in line 1 which were also included in line 8 as open enrolled in non-resident students; eight resident students were included in line 1 due to mathematical errors; and one student included in line 1 was also included in line 2 as an open enrolled out resident student. This resulted in overstating the total actual enrollment at line 7 by 15 students.

Recommendation – The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response – We will contact the Iowa Department of Education and the Department of Management.

Conclusion – Response accepted.

IV-I-04 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

IV-J-04 Certified Annual Report – The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

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